

Crosby, Michael

From: Carter, Lonnie
Sent: Tuesday, December 09, 2014 12:03 PM
To: Adams, Mike A. (CFO)
Cc: Albert, Craig; Watson, Marty; Crosby, Michael; Hartley, Amy
Subject: Re: Bechtel - Summer Nuclear Plant

Mike,

Thank you for reaching out to us. Bill has mention your conversations. Michael Crosby, our Sr. VP of Nuclear Power, and I would be glad to meet with you and Craig. We are familiar with Bechtel's good reputation in our industry. We would be interested in your ideas about how Bechtel might assist us with Summer Units 2&3.

Amy, my assistant can work with you to find a suitable schedule.

Look forward to meeting you both.

Lonnie

Sent from my iPad

On Dec 4, 2014, at 5:49 PM, Adams, Mike A. (CFO) <maadams@bechtel.com> wrote:

Lonnie -

I am writing to follow up on your discussion with Bill Finn regarding Bechtel's potential interest in helping the owners of the Summer Nuclear Plant ensure the best possible outcome for Units 2 & 3 in respect of cost, schedule, safety and quality. We think that a successful outcome is important for the whole nuclear industry in our country.

I am the CFO of Bechtel and, as you know, Bechtel has had a long and deep involvement with the nuclear power industry.

We are currently completing the Watts Bar Unit 2 project for TVA, and have recently completed a number of Extended Power Uprate and Steam Generator Replacement projects across the country, as well continuing to provide engineering services on other nuclear plants including for the Southern Company. We have also previously helped owners successfully complete nuclear projects where we joined the projects midstream and worked constructively with existing teams, with examples including the South Texas and Comanche Peak projects in Texas.

We would like to meet with you to discuss some ideas we have on how we might be able to help you and SCANA manage the Units 2 & 3 project. We understand that you have a strong contract with the Westinghouse-CB&I consortium, and we are aware of announced delays and challenges that your contractor consortium is having.

My colleague Craig Albert runs our Nuclear, Security & Environment business unit that is responsible for our commercial nuclear business. I have copied him on this email, and would

hope that you would be willing to meet with Craig in the near future in your offices in South Carolina.

Thank you in advance for your consideration.

Sincerely,

Mike Adams
CFO
Bechtel Group, Inc

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1/28/15
LNCBechtel

Services for existing fleet. / Nuclear Defense
finishing TVA Watts Bar

Mike Crosby
Marty Watson
Lynn

Mike Adams
Craig Albert

Bechtel → 110 yrs Privately Bechtel Family
slightly less than half the balance held by
about 35 top officers. Family

Both Mike & Craig on Bd, 8 or 9 people.
They have no debt,
\$40 b. per yr in Revenue

Meaningfully operates in a dozen countries, presence
in about 50.

Big employer of US union construction labor
but also large employer of non-union
About 30,000 craft laborers. 5000 to 7000
craft in the USA, over 10,000 w/ Gov't piece.

Have a piping business in Turkey.
Have joint projects w/ (W) but not Nuclear.

Work Safe....Live Safe!



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② 1/28/15
LNC

Bechtel

Mds Any interest in inventory is (W), Toshiba wants too much. Over valued.

⇒ Careful about sub-contracting. Only sub-contract when it lowers their risk. Sub-contractor must have better skill set or performance than Bechtel

Have combined all nuclear business. Had POP, propulsion power and decommissioning, steam generator

Ty Troutman new guy over Nuclear } report to Craig Albert
Breg Ashley also ~ leadership

SMR's are not moving forward due to lack of private financing.

3 Engineers working on Vogtle from Bechtel

Have taken over projects before to rescue them like South Texas, Comanche Peak, Watts Bar. Bechtel has interest in making sure Vogtle Summer are finished. Have had no discussions about helping w/ (W) to Southern, SCANA or (W). Thought that they would start w/ us.

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③

1/27/15
LAK

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"If the two consortium parties are preparing for a "battle" (CB+I claim against (C)) then that will have impact on their (consortium) ability to efficiently finish the project." They believe the consortium are under a great deal of stress.

CB+I have drawn down their revolving credit agreements.

A lot of "instability" ahead,
(consortium)

Get them working together better. Hiring contractor will lengthen the project schedule.

Enable contractor to succeed.

⇒ Advance the (C) money under bond.

Bechtel work for the owners. Pay Bechtel to do an assessment. Let them figure out where engineering, in field, where are finances. 30 + 45 days.

Want to be helpful, not replace contractor.

Work Safe....Live Safe!



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④

1/28/15
LNCBechtel

Bechtel will provide us a proposed scope of work, cost estimate \$, resume's of people.

Owners won't be in a position to take on more risk by telling C what to do. Would advise for the benefit of getting Project finished.

⇒ This is the only process or way for C to get any more money. "Only way to a new Commercial arrangement."

Work Safe....Live Safe!

Crosby, Michael

From: Crosby, Michael
Sent: Friday, February 06, 2015 9:35 AM
To: 'Albert, Craig'
Cc: Carter, Lonnie; Watson, Marty
Subject: RE: DRAFT Proposal from Bechtel

Craig,

Thank you a for the draft proposal and transmittal letter. We really appreciate the urgency you have placed on this project.

The Bechtel approach (outlined) in the assessment certainly appears comprehensive, and the seniority of the proposed assessment team is not only appropriate, but I believe vital to receiving buy-in by all parties.

A couple of focus areas, not specifically mentioned in the proposal, but I'm sure could be wrapped by this 360 assessment:

- 1. Status of the CB&I / Stone & Webster balance of plant (BOP) engineering, procurement and construction effort. There is so much Consortium emphasis being placed on nuclear island progress these days, I fear BOP design, procurement and ultimate commodity installation may not be receiving the proper attention required to plan and execute a successful and timely schedule.**
- 2. CB&I Site Leadership – I'm convinced we do not have the "A Team" on board to execute - even if all other areas were problem free. I believe a candid assessment (and recommendation) regarding the construction leadership (managers, superintendents, etc) would be both eye-opening and valuable to our success moving forward.**

Lastly, I would ask that you scrub back through the transmittal and proposal documents and replace the word "prudent" where you can. SCANA is very sensitive to this type language, particularly as it relates to its interface with the South Carolina Office of Regulatory Staff and the Public Service Commission (a Base Load Review Act – rate recovery issue).

Lonnie is traveling, but he and I will be getting together on this soon.

I suspect the next step will be a reach-out ... Lonnie to Kevin Marsh.

Please do not hesitate to call me if you need anything – I'm sure we will be back in touch soon.

Have a Great Weekend,

Michael Crosby

From: Albert, Craig [mailto:cmalbert@Bechtel.com]
Sent: Thursday, February 05, 2015 6:00 PM
To: Carter, Lonnie; Crosby, Michael; Crosby, Michael; Carter, Lonnie
Cc: Adams, Mike A. (BGI); Troutman, Tyrone; Watson, Marty
Subject: DRAFT Proposal from Bechtel

Lonnie, Michael,

Attached is a draft of the proposal we committed to providing, and below is a draft of the text I would include in a letter transmitting the final/formal proposal. Please advise of any changes you would like us to make.

Look forward to hearing from you.

Craig

Dear Lonnie and Michael,

Thanks again for meeting with Mike Adams and me on January 24 to discuss the status of the V.C. Summer project. Successful delivery of this project is obviously essential for Santee Cooper, SCANA, and your contractors, but it is also vitally important to our industry and to Bechtel. We understand how important it is to you that the project be executed in the most prudent manner possible and that the new units be delivered at the earliest possible completion date.

Bechtel has supported a number of owners in performing independent assessments of complex EPC projects and we are committed to making a team of senior Bechtel personnel available to support such a review on V.C. Summer. We are very knowledgeable of the AP1000 design basis and our broad experience with world-wide supply chain management, grass-roots nuclear construction, and executing mega projects that leverage large

scale modularization provides us with the insight needed to understand the complexities and challenges to deliver this project.

Given the importance and magnitude of this project, I handpicked Bechtel Senior Vice President Mike Lewis to lead our proposed assessment team. Mike is one of our very best project managers for complex, mega projects and is currently serving as our corporate Manager of Construction, the most senior construction manager in Bechtel. In addition, we have included other senior managers on the team who have very successful history working at V.C. Summer.

In terms of the assessment, we propose that our team focus on understanding the current status and forecasted path to completion through various aspects of the project including: design; supply chain management, with emphasis on module fabrication; construction; and startup. With WEC's support, we can focus on getting a clear picture of the status of the WEC design and licensing efforts and evaluate how those activities may impact the future path to completion. Our team will review project metrics and reports; interview select owner and contractor personnel; and visit the site and key fabrication facilities to evaluate the health of the project execution plan and the thoroughness of the current forecast – from both a schedule and cost performance perspective.

Note that our review will focus on the methods and tools being used to manage project execution, changes, and risks, but will not review the attribution of past impacts or validity of any pending or future claims. Beyond the numbers, we plan to assess the degree to which all parties are aligned in a positive project culture focused on the quality and efficiency of project delivery. We will also look for potential opportunities to tailor contractor oversight given the current project status and circumstances.

As part of our assessment, we will provide you with our initial conclusions and recommendations focusing on the most prudent path forward, and what that means in terms of cost and schedule to improve the trajectory of the project. We are confident, based on our experience in the industry and with assisting owners in completing complex projects that we can provide recommendations that will help you and your current contractors with delivery of your project.

The effort for an assessment of this magnitude will require approximately 10 senior managers, will last 8 weeks in total, and will cost \$1 million. Attached is a **DRAFT** proposal that outlines and further defines the details for how the assessment will be executed, key members of the team, commercial considerations, documents and data that are needed from the project to support the assessment, and the proposed topics for the assessment report. Additional information on Bechtel's experience with the AP1000 technology and other relevant projects is also included.

We look forward to supporting you in this endeavor and are prepared to start at your request. I suggest we quickly set up a follow-on meeting with some of our key team leaders to further discuss this effort in detail and

answer any of your questions. We are prepared to formally issue this proposal if it meets your expectations and can obviously incorporate any changes you would like. I would be happy to help finalize our proposal. Ty Troutman, our General Manager for Nuclear Power, who is copied on this email and can be reached at [703-429-6284](tel:703-429-6284), can also help coordinate this follow on discussion. Please let me know of any questions.

Best regards,

Craig

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Crosby, Michael

From: Crosby, Michael
Sent: Monday, May 11, 2015 5:48 PM
To: sbyrne@scana.com
Subject: DC

Steve,

I spoke with Craig Albert this afternoon ... you remember Craig from the hangar ... sat in the middle - President, Bechtel Nuclear, Security & Environmental, Inc.

Craig is aware of where we stand relative to moving forward with the assessment ... that is ... the Owners have Board approvals to move ... but **have not notified the Consortium** of the "Bechtel selection" including clearing a path through the Consortium CEOs (Roderick & Asherman).

Craig **will not** be at the function you are attending tomorrow evening ... but Ty Troutman (President, Bechtel Commercial Nuclear) who reports directly to Craig ... will be seated at your table.

Ty will be one of the Bechtel principals assigned to the assessment ... has been briefed on its confidential nature ... and will reach out to you (in private) for a conversation tomorrow evening.

Thanks for the info this morning.

Lonnie is extremely (motivated) and ready to move forward on this ... and would like to see us get documents to Bechtel as soon as possible so that Bechtel can begin the necessary preparatory work before beginning the actual assessment.

Maybe with the blessing of our legal teams ... we could (NDA) wrap Bechtel into an Owner's engineer role ?? that would allow Bechtel to start reviewing documents. **Please stew on this a bit ... and let's get back together soon** on what we can do to get the program jump started ... I'm feeling some real heat on this one.

Thanks again Steve ... safe trip to DC!
mrc

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Crosby, Michael

From: Daw, Martyn <mndaw@bechtel.com>
Sent: Monday, June 01, 2015 1:10 PM
To: Pelcher, Steve; Bynum, Alvis
Cc: Cherry, Marion; Crosby, Michael; Lindsay, Ronald ; Byrne, Stephen A.; Albert, Craig
Subject: RE: Implementing Bechtel's Assessment of V.C. Summer Units 2 and 3
Attachments: Scanned from a Xerox multifunction device.pdf

Steve – thanks again to you and Al for the call this morning.

Attached is a pdf of the Proprietary Data Agreement signed by Bechtel Power Corporation. Please can Al or you let me know if you'd like me to send along the original with the wet signature.

I look forward to hearing from you/Al as to the path forward with respect to getting a PO in place. As I indicated on the phone, we are flexible on this and we are willing to be retained by your outside counsel if you believe that would be preferable.

On the documents side, I believe that Dick Miller will be point of contact for Bechtel but I am confirming this as I write.

Thanks again for the discussion this morning

Martyn

From: Pelcher, Steve [<mailto:stephen.pelcher@santeecooper.com>]
Sent: Monday, June 01, 2015 12:04 PM
To: Daw, Martyn; Bynum, Alvis
Cc: Cherry, Marion; Crosby, Michael; Lindsay, Ronald ; Byrne, Stephen A.; Albert, Craig
Subject: RE: Implementing Bechtel's Assessment of V.C. Summer Units 2 and 3 [*EXTERNAL*]

Martyn/Al: It was great speaking with you this morning.

As a follow up to our conversation, I believe that the **very first action item** will be for Bechtel to send a partially executed copy of the Proprietary Data Agreement to Al Bynum for the Owner's countersignature. Please keep Santee Cooper in the loop so that Santee Cooper might have a fully executed copy of that agreement for our records.

Next up, regarding the documents that Bechtel will review as part of its assessment, Marion Cherry of Santee Cooper has been working with somebody at SCE&G in assembling the documents that will be reviewed. I have copied Marion on this Email. (**Marion: Who have you been working with at SCE&G on assembling these documents?**) My notes indicate that the Bechtel guy who will likely be the logistical link in receiving these documents is 'Dick Miller' but I may be mistaken about this. Note to Al: As a process point, we need to make sure anything that we share with Bechtel fits within the definition of "Contractor Discloseable Information" as that is defined in Section 19.3(b) of the EPC.

During the call, we discussed the possibility that Bechtel might be retained by George Wenick (Smith, Currie & Hancock LLC), if there is an advantage in doing so. Al Bynum will have a conversation with George about that later today, so that we might close that loop on that possibility.

I mentioned that he will begin his annual vacation this Thursday, although that we should contact his boss, Ron Lindsay, should something come up while he is away.

Finally, we concluded our conversation with a discussion of the form of the Purchase Order the Owners would use to retain Bechtel (assuming Bechtel isn't retain by Smith Currie.) A suggestion was made that we might "re-purpose" an existing PO the Owners have Bechtel to provide licensing and engineering support. Al identified Kyle Nash as the guy at SCE&G would likely process this paperwork.

Thanks again for the good conversation.

Let's stay in touch.

Steve

-----Original Appointment-----

From: Pelcher, Steve

Sent: Monday, June 01, 2015 9:28 AM

To: Pelcher, Steve; Daw, Martyn ; Bynum, Alvis

Subject: Implementing Bechtel's Assessment of V.C. Summer Units 2 and 3

When: Monday, June 01, 2015 11:00 AM-11:30 AM (UTC-05:00) Eastern Time (US & Canada).

Where: Dial-in Number: (877)635-0568; Participant Code: 8437614016

Date of Call: June 1, 2015

Time of Call: 11:00AM

Duration of Call: 30 Minutes

Dial-in Number: (877)635-0568

Participant Code: 8437614016

Discuss:

1. Process for execution of "Proprietary Data Agreement."
2. Process of jump starting Bechtel's review of documents consistent with Proprietary Data Agreement and Section 19.3 of the EPC.
3. Process of Owners executing a PO with Bechtel.

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Proprietary Data Agreement

For and in consideration of the disclosure by South Carolina Electric & Gas Co. (hereinafter referred to as "OWNER") to Bechtel Power Corporation (said person hereinafter referred to as "RECIPIENT") of information in oral, written or physical form, including information of Westinghouse Electric Company, LLC and Stone & Webster, Inc. (hereinafter referred to as "CONTRACTOR"), CONTRACTOR being expressly recognized as third party beneficiary(ies) to this Agreement, and information of OWNER relating to AP1000 systems, components or structures considered to be proprietary and treated as secret and confidential, RECIPIENT, to the extent that RECIPIENT is authorized to use such proprietary information, enters into this "Agreement" and accepts and receives such proprietary information (hereinafter referred to as "Information") in confidence and trust, subject to the following terms and conditions:

1. RECIPIENT shall maintain the confidentiality of all Information disclosed to it hereunder, and shall not use such Information unless such use is solely for the purpose of the AP1000 Nuclear Power Plant(s) and related facilities, structures and improvements (the "Facility") (and associated simulator), in connection with, design, construction and installation of the Facility, simulator and ancillary facilities, trouble-shooting, response to plant events, inspection, evaluation of system or component performance, scheduling, investigations, initial fuel loading, refueling, operation, management, procurement, maintenance, testing, training, repair, licensing, modification, decommissioning, ensuring the safety of the Facility, simulator and ancillary facilities, and compliance with laws or government authorities (collectively, the "Facility Purposes").
2. RECIPIENT shall maintain all such Information so imparted, secret and confidential.
3. RECIPIENT shall not use such Information for any purpose except as permitted by OWNER in accordance with paragraph 1 above.
4. RECIPIENT shall not disclose such Information to its members, officers, employees, or counsel except on a need-to-know basis with each such person receiving such Information being notified of and required to abide by the terms and conditions of this Agreement. RECIPIENT shall not transmit or further disclose such Information to any third party, including parent organizations of RECIPIENT, sister organizations of RECIPIENT, subsidiaries of RECIPIENT, consultants of RECIPIENT or subcontractors of RECIPIENT, without first obtaining the prior written approval of OWNER. In the event OWNER approves of such disclosure or transmittal, such third party shall execute an appropriate non-disclosure, licensing or similar agreement either with or as agreed to by OWNER.
5. In the event that the RECIPIENT or any of its representatives are requested or required in any proceeding or by any governmental authority to disclose any of the Information, the RECIPIENT shall provide the OWNER with prompt written notice of

such request or requirement so that the OWNER may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Agreement. If, in the absence of a protective order or other remedy or the receipt of a waiver from the OWNER, the RECIPIENT or any of its representatives are nonetheless, in the written opinion of their counsel, legally compelled to disclose Information, it or its representatives may, without liability hereunder, disclose only that portion of the Information which such counsel advises the RECIPIENT is legally required to be disclosed, provided that the RECIPIENT exercises its best efforts to preserve the confidentiality of the Information, including, without limitation, by cooperating with the OWNER to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded the Information.

6. Except where necessary or appropriate for Facility Purposes, RECIPIENT shall not make any copy or in any way reproduce or excerpt such Information except as authorized by OWNER in writing prior to such reproduction or excerption. Any such copies or excerpts shall include proprietary notice. Upon the written request of OWNER, the Information provided hereunder and any such copies or excerpts thereof shall be returned to OWNER, or, at the sole option and request of OWNER, RECIPIENT shall destroy such information and any such copies and/or excerpts and certify in writing to OWNER that such Information has in fact been destroyed.

7. Nothing in this Agreement shall apply to any information which is:

- a) now generally known or readily available to the trade or public or which becomes so known or readily available without fault of RECIPIENT; or
- b) rightfully possessed by RECIPIENT without restriction prior to its disclosure hereunder by OWNER; or
- c) acquired from a third party without restriction, provided that RECIPIENT does not know, or have reason to know, or is not informed subsequent to disclosure by such third party and prior to disclosure by RECIPIENT that such information was acquired under an obligation of confidentiality; or
- d) information that RECIPIENT can show by suitable evidence to have been independently developed by RECIPIENT or its employees, consultants, affiliates or agents; or
- e) legally required to be disclosed; provided that RECIPIENT uses its reasonable best efforts to notify Owner of any request or subpoena for the production of any such information and provides Owner with an opportunity to resist such a request or subpoena.

8. It is mutually understood that, except as expressly granted in this Agreement, nothing herein shall be construed as granting or implying any right under any letters patent, or to use any Information claimed therein, or as permitting RECIPIENT to unfairly obtain the right to use Information which becomes publicly known through an improper act or omission on its part. Furthermore, it is mutually understood that each CONTRACTOR is a third party beneficiary to this Agreement.

9. OWNER and CONTRACTOR make no warranty or representation whatsoever as to the sufficiency or accuracy of the Information provided hereunder, the ability of RECIPIENT to use the Information for its intended purpose, or as to the result to be obtained therefrom.
10. Neither OWNER, CONTRACTOR nor their suppliers or subcontractors of any tier shall be liable with respect to or resulting from the use (or the results of such use) or misuse of any Information furnished to the RECIPIENT hereunder; and RECIPIENT shall be exclusively responsible for any such use or misuse of any Information furnished hereunder or resulting therefrom.
11. Nothing in this Agreement shall obligate OWNER or CONTRACTOR to provide any specific information that it otherwise desires to withhold.
12. RECIPIENT shall not, at any time, without the prior written approval of OWNER and CONTRACTOR, file, cause or authorize the filing of any patent application in any country in respect of any invention derived from the Information supplied hereunder.
13. RECIPIENT will not export any Information received from OWNER, or any product of such Information, directly or indirectly, without the prior written permission of OWNER, to any of the countries designated in the United States Government regulations as issued from time to time relating to the exportation of technical data, including any computer programs. RECIPIENT agrees to fully comply with all regulations with regard to the export of the Information transmitted hereunder.
14. RECIPIENT shall not assign this Agreement except with the prior written consent of OWNER.
15. This Agreement shall be governed in accordance with the laws of the State of New York, without application of its conflict of law rules except Section 5-1401 of the New York General Obligations Law. The Parties agree to the exclusive jurisdiction of the United States District Court for the Southern District of New York or the New York state courts in the City of New York for any legal proceedings that may be brought by a Party arising out of or in connection with this Agreement or for recognition or enforcement of any judgment. By execution and delivery of this Agreement, each Party accepts, generally and unconditionally, the jurisdiction of the aforesaid courts for legal proceedings arising out of or in connection with this Agreement. Each Party hereby waives any right to stay or dismiss any action or proceeding under or in connection with this Agreement brought before the foregoing courts on the basis of forum non-conveniens or improper venue.
16. This Agreement shall be binding upon RECIPIENT and its successors and shall benefit and be enforceable by OWNER, CONTRACTOR and each of their respective successors and assigns.

17. This Agreement shall be effective for a period commencing on the date this Agreement is executed by the parties and ending five (5) years after RECIPIENT ceases to provide services with respect to the Facility, except RECIPIENT'S confidentiality obligations survive.

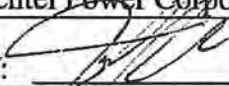
18. If any of the terms of this Agreement are violated by RECIPIENT, OWNER shall be entitled to an injunction to be issued by any court of competent jurisdiction, enjoining and restraining the RECIPIENT, as well as damages and any costs of collection, including but not limited to attorneys' and other professionals' fees and related charges and interest.

19. If any provision of this Agreement is held invalid in any respect, it shall not affect the validity of any other provision of this Agreement. If any provision of this Agreement is held to be unreasonable as to the time, scope or otherwise, it shall be construed by limiting and reducing it so as to be enforceable under then applicable law.

20. This Agreement constitutes the entire, sole and exclusive agreement of the Parties concerning each Party's obligations of confidentiality with respect to the Information of the other Party. No modification of this Agreement or waiver of any of its terms will be effective unless set forth in a writing signed by the Party against whom it is sought to be enforced.

AGREED to this 1st day of June, 2015.

South Carolina Electric & Gas Co.
BY: _____
NAME: _____
TITLE: _____

Bechtel Power Corporation
BY: 
NAME: <u>AHMET TOKPINAR</u>
TITLE: <u>Vice President</u>

MARSH, KEVIN B

From: Albert, Craig [cmalbert@Bechtel.com]
Sent: Monday, July 13, 2015 2:49 PM
To: Lonnie Carter; MARSH, KEVIN B
Cc: Adams, Mike A. (BGI); Carl Rau; Troutman, Tyrone
Subject: Fwd: Scana/Santee Cooper (SS) Bechtel (B) Meeting

***This is an EXTERNAL email. Please do not click on a link or open any attachments unless you are confident it is from a trusted source.

Kevin, Lonnie,

We were exchanging emails internally about what we should discuss tonight. Decided just to forward to you unfiltered. Of course you may have other items and are free to add/delete from our list.

"SS" is you and "B" is us.

See you in couple hours.

Craig

Begin forwarded message:

From: "Albert, Craig" <cmalbert@Bechtel.com>
Date: July 13, 2015 at 12:27:40 PM EDT
To: "Rau, Carl" <cwrau@Bechtel.com>
Cc: "Adams, Mike A. (BGI)" <maadams@bechtel.com>, "Troutman, Tyrone" <tptroutm@bechtel.com>
Subject: Re: Scana/Santee Cooper (SS) Bechtel (B) Meeting

Looks like good flow. We certainly want to hit each item before end.

I reordered a bit below based on answering the question 'what is Bechtel's intent of mtg':

- 1) to understand SS sense of urgency (and to emphasize a high one). We are ready to go and prepared to go quickly. Need contract, then the info.
- 2) get a sense from SS of what we can expect from consortium regarding their disposition and support of our effort. And expectations for 7/28 consortium meeting.
- 3) high level alignment on what assessment is and isn't. (three paths of assessment: the work, the consortium, and SS oversight. Not claims consultancy)
- 4) discuss how we plan to approach assessment
- 5) to share some very initial observations (SS too hands-off, over-delegating, ...)
- 6) discuss level of ownership within SS of this assessment. And who is change agent.
- 7) anything else they can discuss of future events/changes/plans that would impact project.
- 8) frequency of CEO-level check-ins and level of detail in those meetings.
- 9) at risk of being presumptuous, discussion about 'beyond the assessment' (Watts Bar 500)

We can discuss status of PUC along the way.

See you at airport.

July 28, 2015
KICIL-01212 MTG



Date: July 9, 2015

Subject: Summary of Bechtel's V.C. Summer 2 & 3 Management Assessment Scope and Approach

Reference: Bechtel's Assessment Proposal, dated February 10, 2015

Overview

SCANA and Santee Cooper requested Bechtel to perform an overall assessment of the V.C. Summer Units 2 & 3 project (Project) with the objective to assist the Project owners in better understanding the current status and potential challenges as a first step in helping to ensure that the Project is on the most efficient trajectory to completion. The assessment is expected to take eight (8) weeks and will document the identified risks, observations, and recommendations by the Bechtel team in support of the above objective.

Scope

- a. Evaluate current status of forecasted completion plan for: Design; Licensing; Supply Chain; and Construction
- b. Focus these evaluations on the issues that have caused impacts on the Project to date
- c. Review and comment on the current project management tools and work processes being used to plan and execute the Project
- d. Review and comment on the mitigation plans and/or recovery plans put into place and evaluate their effectiveness to date
- e. Review and comment on the change management processes being used on the Project, through completion and turnover of the units
- f. Develop a Final Report that will contain an overall Executive Summary along with a narrative describing the current status, identified risks, observations, and recommendations for the following Project functions:
 - Project Management
 - Project Controls
 - Engineering
 - Licensing
 - Quality Assurance/Quality Control

BECHTEL CONFIDENTIAL

Page 1 of 2

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[The following text is extremely faint and largely illegible. It appears to be a multi-paragraph document, possibly a legal opinion or a court order, with several distinct sections separated by line breaks or paragraph markers. The text is oriented horizontally across the page.]



- Supply Chain Management
- Module Construction
- Construction
- Startup

Approach

- **Data Validation:** During this phase, the team will evaluate the current status of the Project including: Design; Licensing; Supply Chain; and Construction (e.g., scope control, schedule (plan verses actual), staffing (plan verses actual), budget (plan verses actual)). This Phase will take approximately one week after receipt of documents requested. Based on review of the documents received, a more detailed plan for the assessment may be necessary.
- **Interviews:** Bechtel team will interview the SCE&G/Santee Cooper leadership team members to get a good understanding of how the contractors are organized and managed and in gauging the current EPC culture and potential impacts to the execution approach on the Project. The list of the leadership team members in question will be provided at the conclusion of the data validation phase.
- **Functional breakout sessions:** During this period, the Bechtel team will break out by their assigned functional area and work directly with SCE&G/SCANA and Consortium team managers responsible for their respective functions. The Bechtel team will focus on a review of the various tools, documents, and reports and their ability to support the efficient and timely planning, management and completion of the Project.

1. The first step in the process is to identify the problem. This involves gathering information about the situation and understanding the needs of the people involved. Once the problem is identified, the next step is to develop a plan of action. This plan should outline the steps that need to be taken to solve the problem and assign responsibility for each step. The third step is to implement the plan. This involves putting the plan into action and monitoring progress. Finally, the fourth step is to evaluate the results. This involves assessing the effectiveness of the plan and making adjustments as needed.

2. The second step in the process is to develop a plan of action. This plan should outline the steps that need to be taken to solve the problem and assign responsibility for each step. The third step is to implement the plan. This involves putting the plan into action and monitoring progress. Finally, the fourth step is to evaluate the results. This involves assessing the effectiveness of the plan and making adjustments as needed.

3. The third step in the process is to implement the plan. This involves putting the plan into action and monitoring progress. Finally, the fourth step is to evaluate the results. This involves assessing the effectiveness of the plan and making adjustments as needed.

Crosby, Michael

From: Albert, Craig <cmalbert@Bechtel.com>
Sent: Tuesday, August 25, 2015 8:05 AM
To: Crosby, Michael
Subject: Re: Item 4

Michael, I completely understand your advice.

I was trying to be as forward leaning and provocative as possible knowing that you would whittle us back to the right place at this time.

Our plan on the call will be to:

- 1) explain at high level why we have a concern;
- 2) update progress made thus far and describe obstacles encountered. We will point out what we have received and what we ARE able to do with it; what not able to do and why it matters;
- 3) Then we will make suggestions. We will gently follow flow of the long email I sent you and follow Kevin's lead and not push unnaturally hard. At minimum, we'd like to get Kevin to agree to continue weekly call and have him agree to advise Westinghouse and CBI executives to take this seriously and that Bechtel's input will be necessary/helpful to Owners to resolve issues with Consortium. Also would like Kevin to support a meeting between Bechtel executives and consortium's to improve mutual understanding.

We will be flexible and careful on the call and follow your advice.

Sound about right?

Craig

> On Aug 24, 2015, at 9:43 PM, Crosby, Michael <michael.crosby@santeecooper.com> wrote:

>

> Craig,

>

> I believe the email approach is too aggressive at this point ... and may even place Bechtel credibility at risk. Let's talk tomorrow if we can ... before noon is best for me ... but I will take your call whenever.

>

> Unfortunately we need to invest a couple of weeks of laying an appropriate foundation with Kevin before launching ... at this point a couple more weeks is immaterial.

>

> We had a Board meeting today ... and received excellent support. We will not be making any decisions regarding the Consortium or the project moving forward without a completed Bechtel Assessment ... Roderick will be hearing that (again) soon ... information will flow to the extent the Consortium has any to offer.

>

> In fairness to Kevin we need to ease him into the pool. This is going to be difficult for him to swallow, digest and then push down into his organization. Lonnie will have to coach and support him as he works through it ... and it will likely require SCANA Board support to execute a big move.

>

> Carl (and you) have excellent rapport with Kevin (my observation). If the call is truly just CEOs ... be bold and begin verbalizing your observations ... provide examples and lay the foundation. Play off of Kevin's tone ... Lonnie will help you.

>

> Let's talk tomorrow.

>

> Michael R. Crosby

> iPad

>

>

>> On Aug 24, 2015, at 6:30 PM, Albert, Craig <cmalbert@Bechtel.com> wrote:

>>

>> Michael,

>> Below is a draft note regarding a stronger intervention action (item 4). Let me know your thoughts and if you'd like to discuss.

>> Carl and I appear to have just scheduled a call tomorrow at 4 with CEOs. Too soon to launch this? Perhaps you can advise your thoughts on this and how close we walk up to it in the call.

>> It's quite aggressive but does stimulate thoughts. Let me know.

>> Craig

>>

>>

>>

>> Lonnie, Kevin,

>>

>> Prior to our first CEO update meeting, we'd like to put a fairly bold action-oriented proposal on the table for discussion and consideration in our meeting.

>>

>> It is clear that we collectively are not making much progress with regard to the Bechtel assessment. We are now planning a third meeting -- simply to get aligned on the data that we need in order to perform a basic but thorough cost and schedule analysis of the project. We are now being referred directly to Westinghouse, several levels down in their company. Based on this and a number of other observations, we are concerned this indicates some combination of the following:

>>

>> - Given newly apparent adverse circumstances of both the project and the viability of the consortium, there may be a lack of EPC competence and/or capacity of the owner team to prudently oversee the project going forward without assistance from strong mega nuclear EPC project company.

>>

>> - Resistance to the assessment itself for variety of possible reasons

>> (e.g. natural self-defense, fear of assessment conclusions, loss of

>> control, concern of Bechtel intentions, belief/hope that Bechtel

>> involvement will be fleeting/short term like previous 3rd party

>> assessments)

>>

>> Time is slipping and so we are suggesting an intervention now to help quickly ensure the project and the Owners' interests are front-and-center. We believe an alternative approach regarding assistance from Bechtel may be in your best interest in order to help implement any project course correction. This may help make the assessment that we both envision possible and position all of us for strong and immediate changes if warranted.

>>

>> We have outlined this approach below:

>>

>> 1) Scana/SC should engage Bechtel as its owner engineer (OE) and let the consortium members know that our involvement is not short term or superficial. That we will be engaged to support the owners going forward.

>>

>> 2) Advise consortium executives that their cooperation and openness with Bechtel is in their best interest because any future contract changes and any future progress payments, must be supported by Bechtel analysis. (We believe that to the extent allowed by contract, you should have much more accurate information regarding engineering,

procurement, and construction schedule status as part of a process to resolve any contractual differences with the consortium; and you should ensure you have sufficient quantitative visibility and verification of work performed (e.g. EPC earned value) to justify making further payments.

>>

>> 3) Define scope/terms and reporting relationship of Bechtel to support this. At minimum, it should include a contingent of senior large project professionals contractually seconded to the "Owners" management team. We recommend this group be full time dedicated to the project, and report directly to the CEO (allow the current oversight team to support the OE as necessary).

>>

>> 4) Scana/SC should encourage and support a Bechtel executive discussion with W and potentially CBI to assure clarity in ongoing project status requirements.

>>

>> 5) Continue the effort to obtain the data needed to support the assessment (we would have the 3rd meeting in Cranberry this week.)

>>

>> We look forward to our meeting to discuss our basis for this proposal.

>>

>> Regards,

>>

>> Craig

>>

>>

>>

>> *****

>> *****

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>> *****

>> *****

>

>

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Crosby, Michael

From: Albert, Craig <cmalbert@Bechtel.com>
Sent: Friday, September 04, 2015 4:36 PM
To: Crosby, Michael; Carter, Lonnie
Cc: Rau, Carl; 'Carl Rau'
Subject: Documents

Michael, Lonnie

Thanks for having Marion confirm what we have been saying. Saved us a little time, but should not have been necessary.

Our folks involved with this assessment are very senior, professional, competent, and acting in good faith. No drama, just facts.

The email last night from Danny is absolutely amazing – grossly inaccurate and misleading. Very frustrating for our folks to have to defend against shell games and hide-and-seek. Not productive.

We need to get going on the assessment. Nobody is managing the consortium and they are not managing themselves.

All that said, I think a lot was accomplished this week!

Craig

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Crosby, Michael

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Sent: Friday, September 04, 2015 4:36 PM
To: Crosby, Michael; Carter, Lonnie
Cc: Rau, Carl; 'Carl Rau'
Subject: Documents

Michael, Lonnie

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Crosby, Michael

From: Carter, Lonnie
Sent: Wednesday, September 09, 2015 5:00 PM
To: Crosby, Michael
Subject: Re: Today's Meeting

Not surprising, but still disappointing. Kevin has not created a sense of urgency on this Project with his team from Steve on down. The Bechtel review is just another example.

Sent from my iPad

> On Sep 9, 2015, at 4:23 PM, Crosby, Michael <michael.crosby@santeecooper.com> wrote:

>

> Lonnie,

>

> Regarding today's very important Bechtel / Consortium meeting ... an interesting data point for you ... there is one very junior level SCE&G construction supervisor in attendance ... he is here primarily to help Marion with room logistics.

>

> Jeff Archie and Ron Jones (each) spent about 1 hour in attendance earlier this morning.

>

> SCE&G clearly does not understand the gravity of the issues ... what needs to be done ... and the value that we are trying to bring to this project through Bechtel.

>

> Fodder for discussion as we talk with Kevin.

>

> Michael R. Crosby

> iPhone

>

A. Bechtel's Initial Findings

a. The EPC Consortium leadership lacks the experience and competency to manage the project, showing a clear lack of EPC integration on and off project;

Carl ... a few words on what 'integration' really means in the context of ... A&E work ... may be helpful for SCANA ... that is, what it means ... and where it is lacking on the project.

b. While the Owners are proficient with licensing and regulatory oversight and direction, they would greatly benefit from adding EPC Consortium oversight with a deep and broad skill set in capital project management and mega-project EPC execution;

c. Many technical and licensing issues are yet to be resolved; commercial issues exist between the EPC Consortium members making progress in many areas difficult;

d. Basic project management tools and controls (**Owners & Consortium**) are not at the required level to assure the certainty of the project outcome;

e. The current project schedule and budget is in our view unrealistic and further delays and cost increases are inevitable;

f. The morale on the project is extremely low due to the inability of the EPC Consortium project team to make adequate progress;

g. The significant commercial issues between the Owners and the EPC Consortium must be resolved to change the trajectory of the project;

h. **Over time ...** The EPC Consortium has requested significant commercial considerations from the Owners which will improve the consortium's position but not necessarily the Owners';

i. Bechtel has offered to support the Owners in the **current negotiations** to assure the significant leverage of the Owners is actualized.

Carl ... look for highlighted yellow words – need to get rid of them ... as a general note ... I would steer away from any hard references to 'current negotiations' as it relates to the 'the big deal' ...

Steve Byrne's comment to you in his recent interview ... that "he was not going to jail" was concerning to me ...

We (Lonnie, me, you, Carl) cannot afford to lose Kevin & Steve's trust ... as you know 'the big deal' is NDA protected ... it's a sticky topic.

B. Path Forward

a. Bechtel's objective is for both the Owners and the EPC Consortium to be successful;

b. Owners have a unique opportunity (leverage) to shape a better deal and improve project completion certainty prior to the EPC Consortium restructuring and offering any further concessions on commercial issues;

Building on my note above ... I think you can repackage the message within the four corners of the current EPC Agreement.

- **Owners have rights and abilities to influence the Consortium ... that have never been tapped ... due to the Owner's current project leadership being inexperienced, scared, reluctant to act, etc.**
 - **Exploit this and maybe give some hard examples of what you have observed during the assessment:**
 - **Owner's untapped right to eject non-performers**
 - **Owner's lack of project controls ... not giving them visibility on what is really going on**
 - **Owner's lack of experience ... not giving them visibility as to what is really going on**

c. Owners can benefit from Bechtel EPC mega-project completion and contracting experience and expertise by Bechtel providing commercial and contracting recommendations to the Owners;

d. Bechtel to mobilize in Project Oversight role in parallel to completing the initial assessment and supporting the Owners' negotiation need for resolution of outstanding the consortium's commercial requests;

e. Bechtel has senior experienced Nuclear Power leadership available to mobilize ASAP;

f. Bechtel would sign any NDAs necessary to serve as Owner's Engineer and begin support of the Owners' negotiations with the EPC Consortium;

g. Another option to consider due to the inadequacy of the data available to appropriately complete an accurate project completion assessment is to suspend that effort and focus on the mobilization of the an Owners Engineer Project Oversight approach (below);

h. Develop a services agreement expeditiously to enable above (see section E for proposed term sheet).

C. Bechtel's Proposed EPC Execution Owner's Project Oversight Approach

a. As the initial step, Bechtel to provide EPC project experienced leadership team on a secondment basis into an integrated (Owner / Owner's Engineer) Project Management Team (PMT). Bechtel will supply the following key leadership positions:

- i. Executive Project Oversight Director
- ii. Project Managers
 - 1. Area Project Managers (NI, TI, BOP)

- iii. Construction Managers
 - 1. Area Construction Managers (NI, TI, BOP)
- iv. Commercial Manager
- v. Project Controls Managers
- vi. Procurement Managers
- vii. Contracts Manager
- viii. Start-up Manager

b. Bechtel Project Oversight Director to report directly to the CEOs of SCANA and Santee Cooper, and others as appropriate;

This will not go over well ... Bechtel staff should mirror and report to Ron Jones ... on a daily basis.

I will work with Ron Jones on this ... he will see the light and appreciate it sooner than later.

Once he and SCANA get comfortable and see some successes ...we could make re-rigging adjustments as necessary.

Weekly ... or bi-weekly report outs to Byrne / Archie / Crosby would clearly be in order.

CEO touch points ... definitely needed ... but could easily fall within existing quarterly meetings ... of which there are 2:

- **Quarterly Executive Steering Committee Meeting**
 - **Staff report-out to Byrne / Crosby**
 -
- **Quarterly Presidents Meeting**
 - **Owners & Consortium**
 - **Limited staff reports out to CEOs**
 - **Historically have been worthless meetings**
 - **Maybe we could re-rig this opportunity.**

SCANA / Santee Cooper Board ... offer report-outs ... could provide comfort to highly engaged stakeholders.

c. Bechtel to provide additional personnel to the PMT following a comprehensive assessment of the existing Owner oversight team capabilities and qualifications (it is expected based on our knowledge of the Owner's team that the Bechtel team is expected to be in the range of 50 to 100 personnel);

Soften this message ... OE team could (and likely will) grow into a (50-100) man effort ... which is incredibly 'typical' of a properly staffed Owner / AE project oversight integration model.

Prevents Owner from having to staff-up (and later staff-down) to mirror and oversee all Consortium work efforts.

Cost ... rough-in an estimated monthly cost ... maybe provide a range.

- d. Bechtel to remain in the role through the completion of each unit;
- e. SCANA/Santee Cooper to explore the possibility of establishing an "Executive Oversight Board" comprising of CEOs of SCANA, Santee Cooper, and others with relevant executive level EPC experience as appropriate to provide guidance to the PMT.

Think my thoughts above cover this.

D. Bechtel "Value Proposition"

- a. Provide experienced EPC execution oversight team including a senior Bechtel executive to act as the Project Oversight Director within the PMT;
- b. Increased schedule and cost certainty to Owners, Shareholders, and State of SC through effective EPC Consortium oversight utilizing Bechtel tools, processes, personnel, and "knowledge-management";
- c. Train/develop Owner personnel in EPC execution oversight and commercial awareness;
- d. Bring capability to support EPC Consortium through direct performance of select scope(s) as appropriate;

Another opportunity to explain integration (and the problems that you guys see) and what Bechtel could bring.

- **Here is your problem ... or gap gap gap**
 - **And here is a proven resolution technique we can provide**

Sub-bullet some optionality here ... if you think appropriate.

Where you can ... give more examples of how you guys can represent the Owners ... and lead and influence the Consortium results.

- **Schedule validation / development**
- **Engineering change management**
- **Project controls**
- **Daily construction management**

In general, I think that this section ... would be a good place to speak to the void we currently have with SCANA trying to blindly do all this.

- e. Increased industry confidence that the project will be completed in the most efficient manner;

- f. Provide prudence support to Owners as requested.

E. Proposed Term Sheet for Project Oversight Contract

1. Scope

Bechtel will commit to the following:

- Project Management Team – an agreed number of Bechtel personnel will be seconded into an integrated Project Management Team (PMT) of SCANA/Santee Cooper/Bechtel personnel, including the secondment of Bechtel personnel into agreed key leadership positions within the PMT (Bechtel Key Personnel). The PMT's responsibilities will include the following:
 - Assess EPC Consortium key and lead personnel qualifications and on-the-job performance, requiring changes as necessary;
 - Require/negotiate a credible and achievable baseline target cost and schedule;
 - Oversight of all aspects of the EPC work by the EPC Consortium, including review of progress reports submitted by the EPC Consortium; attendance at progress meetings with the EPC Consortium;
 - Schedule management – ensuring that an integrated project schedule is established and that progress against schedule is actively managed; review of schedule recovery plans submitted by the EPC Consortium and consideration of schedule optimization possibilities; and
 - Commercial management – review of requests for payment and change order requests submitted by the EPC Consortium.
- Additional Tasks – on a case by case basis, the Owners may request Bechtel to perform additional tasks outside of the PMT (e.g., independent reviews of discrete project [commercial, technical or other] issues).

2. Bechtel Key Personnel

- The Bechtel Key Personnel will have an agreed minimum level of experience related to major EPC projects and the identity of Bechtel Key Personnel will be subject to interview and approval by the Owners.
- The Bechtel Key Personnel will be granted delegations of authority which are appropriate for their respective positions within the PMT.

- Early removal of Bechtel Key Personnel without the consent of the Owners will result in payment of an agreed level of liquidated damages by Bechtel to the Owners.

3. Contract Duration

- Remainder of the project but no less than three (3) years.

4. Compensation

- Bechtel will be paid on a monthly basis based on hourly unit rates for Bechtel personnel. The unit rates will include compensation for Bechtel salary costs, overhead and base fee.
- Incentive fees will be available to be earned by Bechtel based on achievement of agreed project objectives and performance of the PMT.
- The parties may negotiate a cost bonus and/or schedule bonus to be paid to Bechtel based on completion of the project/a unit within agreed cost and/or schedule parameters.

5. Liability

- Bechtel will be responsible for providing personnel to the PMT who meet agreed qualification, experience and other requirements. Bechtel will replace at its own cost any Bechtel personnel who are found not to meet those requirements.
- Bechtel will be liable if any Bechtel Key Personnel exceeds the limits of the delegations of authority granted to them.
- The contract will include agreed limitations on Bechtel's liability consistent with a secondment agreement.

6. Confidentiality

- All Bechtel personnel will be required to comply with agreed restrictions on disclosure of confidential information, including confidential information belonging to the Owners and the EPC Consortium.
- If deemed necessary, this may involve Bechtel personnel signing individual confidentiality agreements with the Owners and/or the EPC Consortium.

7. Legal Privilege Protection

- In recognition that the Owners may wish to seek legal privilege protection with respect to certain activities and work product, special procedures will be put in place to ensure that such activities/work product are performed under the direction and supervision of legal counsel for the Owners.

8. Executive Oversight

- Bechtel and the Owners will each designate executive-level officers with responsibility for oversight of the project and the PMT.
- The executives will meet on a regular basis (at least quarterly) to review current status and to resolve major issues.
- Any commercial disagreements between the parties which remain unresolved by the executives will be resolved by arbitration according to mutually acceptable rules and in a mutually acceptable venue.

Crosby, Michael

From: Crosby, Michael
Sent: Wednesday, October 14, 2015 1:12 PM
To: Carter, Lonnie
Cc: cwrau@bechtel.com
Subject: *** Confidential *** Bechtel Assessment (Preliminary - Bullet Notes)

Lonnie,

Carl has provided (you/me) preliminary bullet notes from the Assessment (see below) ... SCE&G has not seen this yet.

I do not see any real surprises ... the Bechtel projection on commercial operation dates is sobering.

Once a CEO meeting is scheduled ... Carl will work to schedule a sit-down meeting with Byrne & me ... and also a separate meeting with Jeff Archie's staff ... but he needs to get you and Kevin nailed down first.

Per Carl ... the CEO meeting is looking like the 22nd or 23rd ... Marty told me your schedule was better on the 23rd.

Thanks,
 Michael

From: Rau, Carl [mailto:cwrau@Bechtel.com]
Sent: Tuesday, October 13, 2015 3:55 PM
To: Crosby, Michael
Subject: [EXTERNAL SENDER] Bechtel Assessment

Michael,

The attached is hot off the press, Preliminary Assessment, which will form the basis of our presentation to the execs. I did not include recommendations as they are still in development but will be part of the exec review.

Call with questions,

Carl

Scope of the Assessment

- Evaluate the status of the project to assess the Consortium's ability to complete the project on the forecasted schedule.
- Focus was not on cost.
- Team comprised of 10 senior managers from the following functional areas – Project Management, Construction, Project Controls, Engineering & Licensing, Procurement, and Startup.

Preliminary Findings

Project Management

- The project management approach used by the Consortium does not provide appropriate visibility and accuracy on project progress and performance.
- There is a lack of accountability in various departments in both the Owner's and Consortium's organizations.
- The Consortium's lack of project management integration (e.g., resolution of constructability issues) is a significant reason for the current construction installation issues and project schedule delays.
- The current hands-off approach taken by the Owners towards management of the Consortium does not allow for real-time, appropriate cost and schedule mitigation.
- The WEC-CB&I relationship is extremely poor caused to a large extent by commercial issues.
- The overall morale on the project is low.

Project Controls

- Our preliminary assessment of the project schedule is that the commercial operation dates will be extended:
 - Unit 2: 18-26 months beyond the current June 2019 commercial operation date.
 - Unit 3: 24-32 months beyond the current June 2020 commercial operation date.

The probability range is approximately 50%-75%.
- The Consortium's forecasts for schedule durations, productivity, forecasted manpower peaks, and percent complete are unrealistic.
- The Owners do not have an appropriate project controls team to assess/validate Consortium reported progress and performance.

Construction

- Construction productivity is poor: Unit 2 is 2.3, Unit 3 is 1.6.
- Manual and non-manual sustained overtime is negatively affecting productivity.
- CB&I's work planning procedures are overly complex and inefficient, directly affecting craft productivity.
- Aging of the construction workforce is impacting productivity.
- The indirect to direct ratio is very high at 157% (typical mega nuclear project is 35-40%).
- Field non-manual turnover is high at 17.4% per annum.
- The current construction percent complete per month is only 0.5% versus plan of 1.3%.
- The workable backlog is significantly more than the current craft workforce.
- The project safety, housekeeping, and quality records are very good.

Engineering and Licensing

- Based on the team's observation of current civil work, the issued design is often not constructible (currently averaging over 600 changes per month). The complexity of the engineering design has resulted in a significant number of changes to make the design constructible.
- The construction planning and constructability review efforts are not far enough out in front of the construction effort to minimize impacts.

- Resolution of many Engineering and Design Coordination Reports (E&DCRs) is behind schedule. The E&DCR backlog is not decreasing.
- Engineering staffing remains extremely high for this stage of the project (around 800 total engineers for WEC and CB&I); however, the staffing is needed to complete the design and provide support to construction.
- There is significant engineering and licensing workload remaining for electrical design, I&C, post construction design completion, ITAAC closure, etc. Much of this remaining engineering will potentially impact construction.
- 119 license amendment requests (LARs) and 657 departures have been identified to date. This is a significant project workload that is well planned and scheduled and interactions with the NRC are good. Emergent issues potentially requiring NRC approval of LARs remain a significant project concern.

Procurement

- There is a significant disconnect between Construction need dates and procurement delivery dates. There are:
 - 457 open WEC and 2,907 open CB&I equipment deliveries.
 - 31 WEC and 28 CB&I POs to be placed.
- The amount of stored material onsite is significant creating the need for an extended storage and maintenance program. Inventory validation in the yard is only at 48% accuracy.
- The current min-max warehousing program is insufficient for the scale of the construction effort which is impacting productivity.

Startup

- The startup test program schedule is in the early stages of development.
- The current boundary identification package turnover rate appears to be overly aggressive and not consistent with the current construction completion schedule.

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Crosby, Michael

From: Crosby, Michael
Sent: Monday, November 02, 2015 3:11 PM
To: 'Albert, Craig'; carlwrau@gmail.com; cwrau@bechtel.com
Subject: FW: VC Summer
Attachments: 2015 11 02 - Bechtel Intervention.pdf

Craig,

Resend of what I forwarded earlier this morning ... only difference ... a couple of slides added with (my) notes from the Bechtel meeting ... Oct 22 at SCANA.

Look forward to your call.

mrc

From: Crosby, Michael
Sent: Monday, November 02, 2015 10:55 AM
To: 'Albert, Craig'; carlwrau@gmail.com; cwrau@bechtel.com
Subject: VC Summer

Craig,

I am sorry I missed your call this morning ... had ringer turned off (geez).

Attached is a (very) rough sketch and a few thoughts that I drew up this morning ... while waiting on my phone to ring.

Carl and I discussed some of this last Friday.

When we get to the next SCANA meeting ... as part of the proposed intervention presentation ... an org chart may be an effective way to surgically present voids ... to include an appropriate Bechtel response.

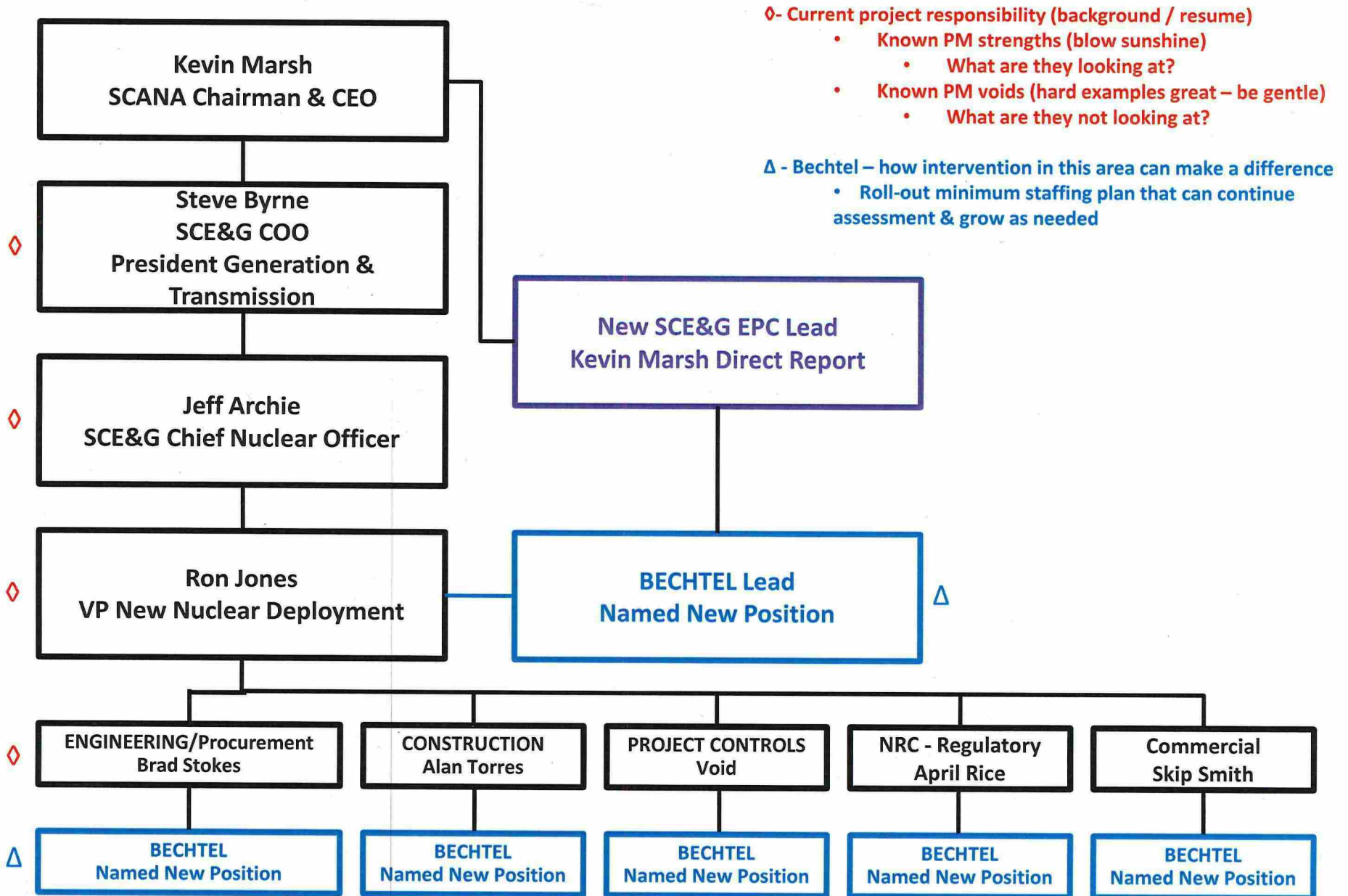
Not married to it ... just an idea.

Let's try another call this evening ... I will leave ringer on.

Thanks,
Michael

DU/CRAIG ALBERT
Nov 03, 2015, 5 PM

- CRAIG APPEARS TO BE LOSING HOPE
 "PUSHING A ROPE..." comment
- CRAIG TO EMAIL KBM/LUZ w/ ASSESSMENT DELIVERY DATE.
 - SCHEDULING FOLLOW-UP MTG SHORTLY THEREAFTER



Examples of where current EPC oversight is lacking
If the issues are observed ... nobody has the experience / capacity to throw a flag
EPC Agreement ... not being LEVERAGED to demand performance

- **Project Management**
 - EPC integration severely lacking
 - Energy on project ... severely lacking
 - Project run like an Outage
 - Overtime management terrible ...
 - Effects productivity ... costs \$\$
 - Work force old ... would benefit from a young shadow program
 - Danny Roderick does not get good feedback ... on E,P or C
- **Engineering**
 - Civil is a complicated disaster
 - Young folks hired on the street
 - Armchair engineering with no forward look to constructability
 - Must bull through somehow at this point
 - However, lessons learned must carry to MM, EE, I&C etc
 - ROYG – consortium management tool ... full of red ... not being kept up
 - Engineering not responsive to Procurement and Construction
 - 800 engineers
 - Unheard of ... but at 96% complete ... there is a problem

Examples of where current EPC oversight is lacking
If the issues are observed ... nobody has the experience / capacity to throw a flag
EPC Agreement ... not being LEVERAGED to demand performance

- **Procurement**
 - Incomplete ... should not be if E is complete 96% complete
- **Project Controls**
 - Lots of reporting no data behind it
 - Completion metrics by major area / elevation ... do not exist
 - Schedule ... 280K lines of activity
 - Unmanageable ... can not find critical path
 - 60+ lags
 - Annex Quantities ... off the chart
 - Laydown
 - Tremendous problem for CB&I
 - No min/max process exists
 - CB&I can only find 50% of what is needed to construct

Examples of where current EPC oversight is lacking
If the issues are observed ... nobody has the experience / capacity to throw a flag
EPC Agreement ... not being LEVERAGED to demand performance

- **Construction**
 - Productivity terrible
 - Need an incentive program
 - Craft ratios ... way out of norm
 - Direct craft / Indirect Craft
 - Field non-manual / Direct craft
 - Work packages ... monstrous
 - Design drawing + multiple, multiple, multiple revisions
 - Unmanageable
 - Workface management ... very poor
 - WEC not solving problems real time
 - Work has to keep moving
 - Work management procedures ... not followed

Tel-Con with Ty Troutman (Bechtel, Nuclear GM (Craig Albert direct report))
Feb 4, 2016, 11:30am

- Oct 22, 2015 ... Bechtel presents high-level assessment finding to Owners
- Mid Nov 2015 ... Bechtel issues report to George. (NOV 12)
- Over next couple of weeks ... George sends Bechtel a heavily redacted mark-up ... requesting schedule and other information be removed
 - Bechtel / George go back and forth for while ... no real progress made
 - At some point, in lieu of honoring George's requested redactions ... Bechtel forwards an alternative report
 - George rejects the alternative report.
- Around 2nd week Dec ... Ty Troutman calls Steve Byrne ... for a "what gives" call
 - Ty's message ... George's requested redactions defeat the purpose of the assessment & report
 - Byrne reveals his feelings are hurt ... Bechtel was too rough on SCE&Gs "EPC management skills"
 - MRC conclusion: Byrne had read report ... or gotten a "Wenick tilted" download ... Ty said Byrne knew a lot about the content of the report.
 - At conclusion of the Ty/ Byrne call ... it was decided that the Oct 22 presentation would serve as final report
 - Bechtel ... issues final invoice for work (which was partially paid at some point ??)
- Around Jan 15th ... George notifies Bechtel that ... schedule piece must be removed and words negative on SCE&Gs "EPC management skills" must be softened.
 - Ty Troutman / Craig Albert ... do not want to pull schedule piece ... but agree to separate out into a stand-a-lone report and submit 2 reports to George ... knowing George will discard the schedule report.
 - This should be going to George shortly.

Nov. 12, 2015
 Milton Heed

SCE & G

- Accountability issue

- ~~We don't~~ ^{DOESN'T} drive accountability of the Consortium
- We are not staffed to do it
- ~~We have~~ ^{CAN BE} a very long term view of OEM ... which ~~is~~ appropriate
 - We will depend on WECs support for decades to come
 - Good relationship is always the proper target
- ~~But~~ we need a team of project management professionals
 - To look out for ^{PROJECT} us ... be the bad cop when necessary ... and drive accountability
 - Throw a real flag ... when Jeff Benjamin says his engineering is complete on Apr 30 ... and nearly a year later – it's still not complete and major impediment to procurement and construction progress
 - Let a professional EPC manager do its' job ... consider them sacrificial ... because in the end they will be

- Schedule & Cost

- Fly up high enough ... SCE&G and SC are aligned
- But as you come down lower ...
 - SCE&G commitment to schedule & cost is a function of
 - BLRA Act ... plus 18 months
 - PSC approval ... as you bump along through time
 - ~~SC~~ ^{SANTÉE COOPER} commitment is ~~a bit more~~ real time & absolute
 - Schedule – if it's not well vetted and achievable
 - Its misleading and quite frankly deceptive
 - Cost – cost matters to SC
 - Not holding Consortium accountable falls on our ratepayers backs
 - So, we must be accountable and the Consortium must be managed

- SCETG*
- Owners do not independently measure the Consortium's work
 - ~~We~~ depend on the Consortium to measure, manage and report

Consortium

- Not competent
 - Not transparent
 - Marketing specialists ... not EPC managers
 - End of the day ... no one is accountable
- As Owners ... we are simply holding on ... hoping and trusting the Consortium will one day pull it all together

- SCETG*
- Owners are not experienced in how to deal with non-performance
 - When we finally respond ... its months late

- Seven year later ...

- Engineering is not complete

- And no one on our team can tell us just how incomplete it is

SCETG

- ~~We~~ simply parrot what they tell us ... and hope for better times

- I was embarrassed for the team on Friday

- Clearly a problem effecting construction

- Byrne, Crosby, Stokes, Torres discussion
- Note again, issue has been going on for 7 years
- Poor Ron Jones began trying to derive metrics to better understand the problem

AT LAST ESC MB

- Procurement ... has devastated the critical path

- Construction ... is off the chart poor

- Engineering continues to be the problem

- 11% ... over the last 36 months

- That pace says we complete 2038

- We seem to be indifferent to it

APR 30

• BECHTEL REPORT

- SCESG GOING THRU IT NOW
- SCESG STILL NEEDS TO PROTECT DOCUMENT
- BUCKETIZE, SCHEDULE & EXECUTE
- ID MAJOR RECOMMENDATION
 - MOVE FWD

APR 30

• ID MAJOR ISSUES ON PROJECT

- WHERE SCESG COULD WE HELP

MAY 31

- REDUCES TO WRITING SCESG PLAN FWD ON:

- OVERSIGHT BOARD
- CHARTER

APR 61

- CONSTRUCTION
- MILESTONE SCHEDULE